



Insurance as a Tool for Solving Social Problems in Nigeria

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Abstract

Countries faced with social challenges devise several means of tackling these problems of which the use of insurance is one of such. Insurance companies on the other hand have provided Corporate Social Responsibilities' products to the citizens of these countries. These is not the case in developing countries including Nigeria. This simple research design was adopted from the qualitative perspective. This involves the use of research instruments to collect primary data from the target respondents which consist of mainly insurance staff working in the Lagos Island area of Lagos State, Nigeria. The population of the study consists of the about over 2000 staff of the insurance companies in the area from NAICOM unpublished data. A total of 350 copies of questionnaires were administered with 343 copies completed and return to the researcher. Analysis based on research questions reveals that there is relationship between the impacts of insurance on the reduction of social challenges in Nigeria. The findings from the study confirmed that insurance could be used as a tool for mitigating social problems in the country. It then recommended that insurance companies should embark on activities that could help the people buy more insurance products and also for the government to collaborate with these companies in finding ways to reduce social challenges in the country.

Keywords: Insurance, risk, risk management, social problem, social insurance

1. Introduction

Social problems are some of those challenges that members of the society, especially majority of them and they encounter these problems in the process of living together in the society. Social problems encompass a wide range of issues, including terrorism, unemployment, gun violence, poverty, employee theft, kidnapping, robbery, rape, armed robbery, low mortality rate, gangsterism, cultism, Human Immuno Virus and Acquired Immune Deficiency Syndrome (HIV/AIDS), war, inflation, immorality, corruption, and more (Aborisade, 2017; Lufkin, 2017). These problems affect every aspect of society, including the family, economy, politics, education, and religion. Over time, various factors have contributed to the prevalence of social problems in each society. These factors are often linked to governmental actions at all levels, global influences through international relations, and individual behaviours. The impact of these social problems on individuals and society as a whole is significant and cannot be overlooked.

In this regard, social challenges, from the ordinary perspective, could be attributed to the common problems which members of the society face in their day-to-day activities, and which demand solutions from the individuals and societies too. Little wonder then that Lufkin, (2017) ascertained that they are those conditions or behaviours that have negative consequences at both personal and work level. Social challenges, therefore, arise from the societal problems which mankind faces daily. These could manifest in such events as untimely deaths, accidents brought



on by inadequate infrastructures, poor growth in the economy, high rate of unemployment, high child mortality rate, road accidents as a result of either bad roads or poor maintenance of the roads, among other challenges. These challenges if not properly managed lead to general instability in the society (Lufkin, 2017). Although most of the social problems may fall within the realm of fundamental and speculative risks. Fundamental and speculative risks are not insurable in insurance (Ofuya, 2013; Onyeka, 2023, and Duru, 2024). However, there are some changes within the insurance parlance that if the risks are fortuitous such risks whether fundamental or speculative should be insurable (Asaria and Miah, 2021). In this sense, the use of insurance would greatly aid in resolving societal issues.

It is pertinent to note that countries faced with social challenges would find a way to devise means of tackling these problems of which the use of insurance is one of them. Moreover, the main difference between the developed and the developing nations lies more in that the developed nations have fashioned out means of timely solving the problems than the developing ones especially through the use of insurance. Insurance in no small ways have been used by the USA, Britain, Germany and a host of others to solves some of these social problems. Insurance companies on the other hand have provided Corporate Social Responsibilities' products to the citizens of these countries.

2. Literature Review

Conceptual Review

Obileye and Aborisade (2020) argued that there have been many arguments among scholars on the concept of social problem within and outside the management sciences. They posited that the basis of the arguments was on what should or should not constitute a social problem. These arguments on social problems could be subjective in nature or objective as a whole (Eitzen, Baca-Zinn & Smith, 2014). For this purpose, therefore, a social problem can be best described as the interpretation giving to it by individual members of the society and society at large. Regardless of whether the data involved are substantial or not, the subjective nature of a social problem is simply the view of individual members on what affects them (Eitzen, Baca-Zinn & Smith, 2014). Social problems are essentially the circumstances that impact people and cause them to feel regretful about who they are and the society in which they live, respectively.

Spector and Kitsuse (2017) had contended that sociology does not and has never provided a sufficient definition of social problems, nor has there ever been a sociology of social problems. It is understandable, therefore, that the term "social problem" has, according to Spector and Kitsuse (2017), served less as the focal point of theory and research on a particular subject matter and more as a checklist for imparting sociological knowledge to undergraduates. According to Vaghefi (2023), it refers to the various issues that have a detrimental impact on a society's values, social structure, and general well-being. He went on to say that global problems like poverty, relocation, and terrorism are all part of social problems. Social problems are those that affect a group of individuals in the society, as opposed to personal difficulties or natural



calamities. Social issues can arise in a particular nation or have an impact on the global community. Accordingly, social problems are those that have an impact on society's peace, stability, safety, or independence (Vaghefi, 2023).

Social problems such as hunger, insecurity among others are in the increase in the Nigerian environment and calls for serious attention (Ofoma et al., 2024; Omodero, 2024). In Nigeria, poverty and unemployment levels, according to Alozie (2024) are extremely high and two of the nation's most pressing problems. Alozie (2024) argued that poverty has been rising steadily over the years and seems to have become a way of life for many Nigerians. This is due to stagnation, unemployment and poor quality of life arising from shortages of essential goods and facilities, an unhealthy environment, and government insensitivity (Iroanya, 2015). Kale (2012) disclosed at a news conference while presenting the Nigeria Poverty Profile Report that in total 93.9 percent of Nigerians considered themselves to be poor in 2010 against 75.5 percent in 2004 (Ayoo, 2021; Iroanya, 2015).

In any economy, insurance is crucial to the financial intermediation process. IFRS (2023) states that insurance contracts incorporate elements of a service contract and a financial instrument. In addition, insurance is a method people use to manage risk; by purchasing an insurance product, they are securing protection against potential financial losses that could arise in the future. If the insured event occurs, the insurance company compensates the insured or a designated beneficiary for the loss resulting from the insured event. As Onyeka (2023) explains, an insurance contract is "a contract under which one party (the issuer) takes on significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) negatively impacts the policyholder." (Chilekezi, 2017). According to Outreville (1998), a legal definition of insurance that can be found in numerous insurance legislation is as follows: An insurance contract is an agreement whereby one party, the insurer, agrees to pay another party, the policyholder or a third party, a premium or assessment, in the event that the event for which the contract is intended occurs.

This results in the promotion of social insurance. Murphy (2022) claims that although social insurance may not seem like a recognizable term, the majority of people are aware of its offerings. Social insurance policies are financed by citizens and handled by the government. They serve the community during periods of financial instability brought on by age, disability, or financial difficulty. Murphy (2022) argued that social insurance programmes are financed by the individuals who utilize them. For example, an examination of an average pay check should include deductions for Social Security, Medicare, and unemployment. These deductions contribute to the pool of benefits that form a safety net for retirement or in the event of hardship or illness because social insurance is a universally funded financial safety net managed by the government. Social insurance programs include Medicare, Social Security, and unemployment



insurance, among others. In addition, a growing number of insurers have made the commitment to engage in socially responsible investing, which entails selecting or rejecting investments based on particular moral standards like the UN Principles for Responsible Investment (PRI) (Schanz, 2022). According to Schanz (2022), insurance plays a crucial role in risk-taking and investing. It does this by supporting financial stability and "peace of mind" for individuals, households, and businesses; stabilizing, enhancing, or even replacing social security programs; facilitating trade and commerce; mobilizing savings based on long-term offerings; and fostering the capacity of societies to deal with risk and prevent losses more effectively. This is useful in the solving of societal problem in any society whether advanced or underdeveloped society.

Review of Empirical Studies

Nwabunike (2024) examined the effects of insurance funds in human development index in Nigeria with the main objective of evaluating the effect of insurance funds on human development index in Nigeria between 2012 and 2022. The design adopted for this study was ex-post-factor; data used for analysis were elicited from Central Bank Statistical Bulletin, World Bank Developmental Indicators Data base and National Insurance Commission Annual Reports. To achieve this objective, a model was formulated based on empirical and theoretical reviews. The model used human development index in Nigeria as the dependent variable, while life insurance funds, pension funds and deposit administration funds were the independent variables in the model. This study employed the Fully Modified Least Squares (FMOLS) Model to analyse data. The findings elicited from this study revealed that life insurance funds and pension funds recorded significant positive effect on human development index, while deposit administration funds had a significant negative effect on human development index in Nigeria. From the inferential result, the researcher concluded that insurance funds have significant effect on human development index in Nigeria. From the foregoing, the researcher recommended that the National Insurance Commission, in conjunction with the government should efficiently work together to ensure that the premium collected, and the income generated by the industry through pension funds and life insurance are diversified into economic and productive investment, in order to boost human development in Nigeria.

Mukhutar (2013) study the insurance of the uninsurable through the use of micro insurance. This noted that the populace in developing countries were exposed to a variety of risks like illness, disability, death, unemployment, or crime vulnerable to become poor. It also observed that low income households were less able to prevent and mitigate risks and so they were less able to cope with the consequences. In Nigeria according to Mukhutar (2013) with low insurance patronage and vast majority of the citizen were exposed variants types of risk. The resulting effects were poverty, economic insecurity, insurgency, and social vices. Micro-insurance was considered by this researcher as one of the most effective means of reducing the vulnerability of the poor from the impacts of disease, theft, violence, disability, fire and other hazards. This method of insurance could protect these set of people against unexpected losses by pooling the



resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical form of protection. Micro-insurance moreover, according to Mukhtar (2013) could break the cycle of poverty experience in Nigeria by providing low-income households, business and farmers with access to post disaster liquidity, thus protect their livelihoods and providing for reconstruction. Therefore, insured households and firms would be more credit worthy; these kinds of insurance could also promote investments in productive assets and higher risk yield crops. As a result, this study recommended the establishment of micro-insurance in Nigeria. While setting the micro-insurance caution should be exercise to make it in conformity with social, cultural and religious setting of the populace for it to gain recognition and acceptability otherwise it is likely to get low patronage.

All these studies showed the insurance could be a veritable tool in handling some of the social problems especially among the low income earners. Thus, there is need as argued by Obalola and Dansu (2020) for the government and the insurance industry in Nigeria to partner in addressing some of these problems.

In a study on using health insurance to alleviate poverty in Nigeria, Obalola and Dansu (2020) argued that the challenge of poverty pervades all economies of the world, though in varying degrees and noted that it was more serious for a developing economy like Nigeria with her huge population. This study argued that poor health status of individuals limits their production capacity and hence may force them to sell their valuables in order to meet health care and other basic household needs; and using a survey research design, data was collected from 150 randomly selected low income earners in Lagos State, Nigeria through a structured questionnaire administered by the researchers. The collected data was subjected to descriptive statistics, reliability test, ANOVA, correlation, and regression analysis to determine the relationship between the dependent and independent variables, and the explanatory power of the independent variables on the dependent variable. The results showed that micro health insurance could be used as a strategy for improving the living condition of the poor through the elimination of catastrophic health expenditures that could otherwise cripple their earning capacity. Based on the result, it was recommended that various enlightenment programmes should be employed by stakeholders in the insurance industry to popularise the benefits of micro health insurance among low income earners (Obalola and Dansu, 2017). This would help them solve the challenges of getting healthcare when sick at an affordable cost to them.

3. Methodology

The research utilized a descriptive survey design to evaluate the variables of interest using questionnaires, keeping them unchanged among the participants. This method was selected for its systematic data collection capabilities in examining the impact of insurance on the society at large.. It aimed at offering a comprehensive understanding of the current state and a detailed analysis of the pertinent variables of study. The descriptive survey approach is the advantageous



for this research as it enables extensive data gathering from the targeted demographic, which is essential for meeting the study's goals. The study facilitated the examination of several insurance firms in Nigeria, providing a comprehensive assessment of their roles in mitigating social challenges in the country. The choice to utilize this research approach was influenced by the availability of data and the feasibility of conducting the study within the specified timeframe, as emphasized by Creswell (2014) and Yin (2018). This methodology guaranteed a thorough comprehension of the impact of insurance on the society, enabling well-informed conclusions regarding and its operational effectiveness.

Thus, this study utilized deductive reasoning as the main method to investigate the impact of insurance on social challenges in the country. Deductive reasoning, selected for its precision and systematic approach, involved formulating a hypothesis and then collecting and analyzing data to test this initial assumption. The objective was to either confirm or question the hypothesis through thorough empirical evidence. This approach was well-suited to the aims of this study, as it enabled a methodical exploration of our specific inquiry, allowing us to draw conclusions based on the gathered data (Casula et al., 2020).

4. Results and Discussion

Insurance is a important tool in risk mitigation in any society as we have seen earlier. In this regard, the results from the analysed data are presented below.

Table 1: Descriptive Statistics of Variables

	Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
IAT	343	3	5	3.90	.614	.094
RSC	343	2	4	3.78	.425	-.940
BIT	343	3	5	3.89	.359	.103
Valid N (Listwise)	343					

Source: Researchers field survey, 2025

Where: IAT: Insurance as Tool; **RSC:** Reduction in Social Challenges; **BTI:** Benefits to Insurers

Table 1 revealed that in average, insurance is a tool for social challenges at 3.90, with standard deviation of .614, minimum and maximum values of 3 and 5 respectively; while the reduction in social challenges for mean, standard deviation, minimum and maximum value are 3.78, .425, 2 and 4 respectively. Similarly, the benefits to insurance companies that led to the reduction of social challenges has a mean of 3.89, and standard deviation of .359, with minimum and



maximum values are 3 and 5 respectively; data skewness explain the normality of the variable used, which shows that all the variable fall within the range under the standard normal curve of ± 1.96 .

The findings of this study showed that insurance companies could design products that would focus in solving social challenges in the country. Also, insurance companies should embark on those activities that could help the government reduce social challenges in the country. This could be by way of corporate social responsibility activities within their neighbourhood among others.

5. Conclusions

Insurance has advanced in a way that apart from its application to pure risks, it could also be used to solve social problems which could either be fundamental or speculative risks. The study has empirically shown that insurance impacts on social challenges in the country and there is a significant relationship between the use of insurance and the solving of social problems which could be effectively be adopted in the country in solving or bring some forms of reliefs to families that are victims of kidnapping, terrorism, rape among others as we have kidnapping insurance in Kenya for example. There is need for insurance companies to do more through coming up with more solutions on these problems through designing covers for such risks as the case of kidnapping insurance which is sold in the Kenyan market. This will no doubt bring succour to affected families and relieves to the Nigerian society at large. The government, on its part, should come up with programmes to encourage insurance companies to design this covers for the benefits of Nigerians as the case may be. This position is line with that findings of Obalola and Dansu (2020) on the fact that insurance could be used to address social challenges in the society. Similarly, Mukhutar (2013) had earlier found that it could be used to address the problems faced by low income earners especially if micro insurance is effectively used in this regard.

To address these social problems there is need for the development of microinsurance products to assist the poor take care of their risks. Experience can be borrowed from the Asian countries where some of these micro-insurance products are provided to the poor people with the premiums for such covers being borne by the government or funded by Non-Governmental Organisations. This will help the more in the country, under the current painful reforms of the government to protect the little assets that they possess.

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